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Chile

Tree Nuts

Annual

2007

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Report Highlights:
Walnut and Almond production and exports are expected to increase this year mainly due to favorable weather conditions together with new-planted areas coming into production.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
Annual Report
Santiago [CI1]
[CI]

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Executive Summary

Chile's walnut production and exports in MY2007/08 (Jan-Dec, 2007) are expected to expand less than previously estimated as weather conditions, lack of cold hours, have affected negatively orchards in some growing areas. Nevertheless, walnut production will continue to expand in the coming years as a result of improved technologies, replacement of uprooted orchards with improved varieties and overall increases in planted area. As a result of extremely cold weather and frost during last winter (July-August 2007) that affected most almonds growing areas production is expected to increase as forecasted in our previous report (CI7003).

Walnuts

Production

As a result of a mild winter (not enough cold hours) in CY2006 (May through August 2006) production is expect to expand less than previously estimated in MY2007. For MY2008, as many producers have been adopting improved technologies like pruning and drip irrigation, together with a larger planted area coming into production total output is forecasted to expand. Producers also are expected to continue to replace aging orchards with improved varieties, increase grafting of their lowest-yielding trees, and expand planted areas. Thus, the long-term forecast is that production will continue to expand. This forecast assumes normal weather conditions throughout the season.

Crop Area

Although walnuts are planted from the Third Region (Copiapo) down to the Ninth Region (Temuco), over 90 percent of this crop is planted in the central areas, specifically Region Five (San Felipe-Los Andes), the Metropolitan Region (Santiago) and Region Six (Rancagua).
The two main factors for the overall increase in planted area are a continuous deterioration in the profitability of alternative fruit crops and the relatively good prices obtained by walnut producers.

Table: CHILE – Walnut Planted Area and Production			
Years	Planted Area (Ha)	Production (MT)	Exports (MT)
1995	6,980	9,800	8,665
1996	7,000	8,800	8,277
1997	7,480	10,950	8,880
1998	7,250	9,955	8,114
1999	7,015	12,000	8,503
2000	7,165	10,000	6,582
2001	7,200	11,800	9,551
2002	7,250	12,400	8,890
2003	7,808	13,800	12,187
2004	7,856	12,500	10,791
2005	8,255	13,900	12,781
2006 1/	8,500	17,700	16,668
2008 2/	9,734	18,000	16,600
2009 3/	9,850	20,000	18,500
1/ Estimated			
2/ Forecasted			
3/ Projected			

Inputs

All commercial walnut orchards are planted on irrigated land. However, only an estimated 60 percent of the planted area has modern irrigation systems. As a result, when there is not enough water supplied from wells, rivers and streams flowing from the Andes Mountains, water availability becomes an important factor limiting production, mainly in Regions V and VI, where output can be affected significantly. The average orchard size is 10 to 15 hectares, which is double the size of orchards in France and half the size of orchards in the US.

Although a large percentage of walnut trees in production in Chile originate from seeds, budding and grafting of new and improved varieties like Serr and Chandler has increased in recent years. Industry sources indicated that there is still an estimated 30 percent of the total planted area that originated from seeds.

Increasing labor costs are an important factor affecting walnut production and processing. Chile has a competitive quality advantage in shelled walnuts, since almost all shelled walnuts are hand-cracked. Although the premium Chile obtains from this quality advantage has thus far continued to encourage hand-shelling; increased labor costs may mean that Chile could lose this advantage in coming years. Additionally, similar to fruits, returns to Chile's walnut industry during the last season have been falling. In general, prices for exported walnuts have not varied much in dollar terms, but the Chilean peso has gone through a significant revaluation process during the last few years. Also labor costs have been increasing in peso terms. In the case of walnut production, labor represents 70 % of total costs. As reported by some producers, production costs for walnuts are estimated to be between US$2,300 and US$2,500 per hectare, in Chile.

Consumption

As with most other Chilean fruits, domestic walnut consumption is a residual of the export market. If international prices are low, exports fall off and domestic consumption increases as the larger supply drives domestic prices down. However, domestic demand does not drive consumption or determine market prices.

Trade

The EU is Chile's main export market for walnuts, it accounts for more than 60% of total exports. As production continues to expand in the coming years due to the increase in planted area, and improvements in orchards begin to bear fruit, total exports should expand further. Industry contacts forecast another increase in exports in CY2007, due to a projected increase in output.

Increasing amounts of mostly unshelled walnuts are being imported. Industry sources indicated that most of these imports correspond to walnuts that are sized and/or shelled and re-exported.

Stocks

There is no trade or official statistics available on Chile's average stocks. However, exporters normally do not carry over stocks.

Policy

There are no specific Government policies regulating or benefiting tree nut production in Chile. The general import duty on walnuts is 6 percent except for countries with which Chile has signed trade agreements. The US-Chile Free Trade Agreement lowered duties on US in shell and shelled walnuts to zero as of January 2004. Chilean exports to the US face a zero duty for in-shell walnuts and shelled walnuts since January 2007.

PSD Table									
Country	**Chile**								
Commodity	**Walnuts, In shell Basis**						(HA)(1000 TREES)(MT)		
	2005	Revised		2006	Estimate		2007	Forecast	
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New
Market Year Begin		01-2006	01-2006		01-2007	01-2007		01-2008	01-2008
Area Planted	8500	8500	8500	9734	9734	9734	0	9850	9850
Area Harvested	5950	5950	5950	6250	6250	6250	0	6400	6400
Bearing Trees	678	678	678	750	750	750	0	768	768
Non-Bearing Trees	305	305	305	420	420	420	0	416	416
Total Trees	983	983	983	1170	1170	1170	0	1184	1184
Beginning Stocks	412	412	412	219	219	219	319	319	219
Production	17700	17700	17700	18500	18500	18000	0	20000	20000
Imports	775	775	775	600	600	600	0	600	600
Total Supply	18887	18887	18887	19319	19319	18819	319	20919	20819
Exports	16668	16668	16668	17000	17000	16600	0	18500	18500
Domestic Consumption	2000	2000	2000	2000	2000	2000	0	2000	2000
Ending Stocks	219	219	219	319	319	219	0	419	319
Total Distribution	18887	18887	18887	19319	19319	18819	0	20919	20819

Export Trade Matrix			
Country	Chile		
Commodity	Walnuts, In shell Basis		
Time Period	Jan-Dec	Units:	M.T.
Exports for:	2006		**2007**
U.S.	0	U.S.	0
Others		Others	
Brazil	4606	Italy	2455
Italy	3827	Spain	1129
Spain	2036	Brazil	1019
Germany	1703	Germany	806
Portugal	1276	Turkey	549
Switzerland	759	Portugal	459
Argentina	447	Netherlands	394
Netherlands	402	Switzerland	391
Ecuador	373	Austria	181
Venezuela	301	Russia	177
Total for Others	15730		7560
Others not Listed	938		538
Grand Total	16668		8098
Note: Year 2007 data is for January through July only			

Almonds

Production

As a result of extremely cold weather and frost which affected and delayed the flowering period (months of July and August of CY2007) we have revised the production estimates downward, for MY2008.

It is expected that total almond production will easily exceed 10,000 metric tons (shelled basis) in the coming years as producers keep expanding their planted area in response to good economic returns compared to other crops. This forecast assumes normal weather conditions throughout the season. Industry sources indicate that currently close to 80 percent of Chile's planted area is in production.

Crop Area

Although almond trees are planted from Region IV (La Serena) down to Region VIII (Chillan), over 80 percent of the total planted area is in the central regions, specifically Region VI (Rancagua) and the Metropolitan Region (Santiago). Almonds are planted on irrigated land and average yields are estimated to be between 600 Kg to slightly over one metric ton per hectare. Industry sources report that although many producers are increasing their plantings, total planted area in Chile is not expected to exceed 15,000 hectares, as almonds compete with avocados for the best production areas. Both crops have the same constraints: soil and weather (rainfall and frost). New avocado planting have exploded during the last few years as a result of excellent economic returns. Although Chile has no special advantages in almond production, industry sources indicate that in the next 5 to 7 years an estimated 5000 hectares will be planted every year. Out of this total approximately 250 hectares will replace old aging orchards and 250 hectares will correspond to new-planted area.

Inputs

Nonpareil is the main variety planted, accounting for 48 percent of the total planted area. Other important planted varieties are: Carmel, Solano and Price. All commercial almond orchards are planted on irrigated land. However, only an estimated 40 percent of the planted area has modern irrigation systems (drip irrigation).

Trade

Most almonds exported are shelled and sent to markets where Chile has tariff preferences like Argentina, Brazil, Colombia, Venezuela and the European Union (Spain, Italy and the Netherlands). India is also an important market for in-shell almonds. Industry contacts are very optimistic about the benefit of a Chile-India free trade agreement for their sector. They expect duties to be significantly reduced from the current US$0.80 per Kg for in-shell almonds and US$2.30 per Kg for shelled almonds.

Chile also imports almonds, mainly from the United States. Industry sources report that imports are mainly used by the confectionery industry and are a smaller size than the ones produced in Chile.

Policy

There are no specific Government policies regulating or benefiting almond production in Chile. The general import duty on almonds is 6 percent. However, as a result of the US-Chile Free Trade Agreement, US almonds enter Chile duty free.

PSD Table									
Country	**Chile**								
Commodity	**Almonds, Shelled Basis**						(HA)(1000 TREES)(MT)		
	2005	Revised		2006	Estimate		2007	Forecast	
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New
Market Year Begin		01-2005	01-2006		01-2005	01-2007		01-2005	01-2008
Area Planted	0	7150	7150	0	7600	7600	0	7800	7800
Area Harvested	0	5860	5860	0	6260	6260	0	6380	6380
Bearing Trees	0	1875	1875	0	2160	2160	0	2200	2200
Non-Bearing Trees	0	412	412	0	462	462	0	490	490
Total Trees	0	2287	2287	0	2622	2622	0	2690	2690
Beginning Stocks	0	425	425	0	204	204	0	404	404
Production	0	4200	4200	0	6600	6600	0	6900	6600
Imports	0	1900	1900	0	1900	1900	0	1900	1900
Total Supply	0	6525	6525	0	8704	8704	0	9204	8904
Exports	0	3921	3921	0	5900	5900	0	6500	6200
Domestic Consumption	0	2400	2400	0	2400	2400	0	2400	2400
Ending Stocks	0	204	204	0	404	404	0	304	304
Total Distribution	0	6525	6525	0	8704	8704	0	9204	8904

Export Trade Matrix	
Country	Chile

Commodity	Almonds, Shelled Basis		
Time Period	Jan-Dec	Units:	M.T.
Exports for:	2006		**2007**
U.S.	0	U.S.	0
Others		Others	
Italy	856	Brazil	443
Brazil	586	Italy	256
Netherland	442	Argentina	234
Argentina	424	Venezuela	198
Spain	387	Colombia	123
Venezuela	357	Germany	112
Colombia	265	France	84
Germany	97	Netherlands	72
U.K.	93	Austria	48
Ecuador	73	Spain	43
Total for Others	3580		1613
Others not Listed	341		200
Grand Total	3921		1813
Note: Year 2007 data is for January through July only			